

September 19, 2003

7

Honorable Thomas P. Hansen
Presiding Judge
Santa Clara County Superior Court
191 North First Street
San Jose, California 95113

Re: Final Report: Review of Audits and Financial Reports

Dear Honorable Thomas P. Hansen:

City of Milpitas' Consolidated Response:

Pursuant to California Penal Code 933.05 the City of Milpitas herein provides its Consolidated Response to the 2002-2003 Santa Clara County Civil Grand Jury Final Report as titled above:

Finding I

The City of Milpitas has no independent information upon which to form a belief or opinion regarding the finding and, therefore, agrees with the finding.

Recommendation I

The recommendations relate to actions by the City of Sunnyvale. The City of Milpitas has no authority or ability to influence or direct action by the City of Sunnyvale and therefore, will not implement the recommendations.

Finding II

The City of Milpitas has no independent information upon which to form a belief or opinion regarding the finding and, therefore, agrees with the finding.

Recommendation I

These recommendations relate to actions by the City of Santa Clara. The City of Milpitas has no authority or ability to influence or direct action by the City of Santa Clara and therefore, will not implement the recommendations.

Finding III

The City of Milpitas agrees with the finding that performing regular management reports or process audits can potentially improve the quality and efficiency of services to Milpitas' citizens but disagrees with the finding that a city of Milpitas' size can afford to devote resources for a full time internal auditor or audit team to perform process audits, especially during these difficult financial times.

Recommendation III-1

The recommendation has been implemented. The Grand Jury has already been included on the City's routine distribution list for its Comprehensive Annual Financial Report and Annual Budget.

Recommendation III-2

The recommendation will not be implemented because the City of Milpitas cannot reasonably afford to devote its resources to engage a full time internal auditor or audit team to perform regular management reports or process audits. The City of Milpitas will continue to utilize its external auditor to examine the City's internal control structure during its annual financial audit.

Recommendation III-3

The recommendations relate to actions by the cities of Los Altos, Los Altos Hills, and Monte Sereno. The City of Milpitas has no authority or ability to influence or direct action by these cities and therefore, will not implement the recommendation.

Very truly yours,

Jose Esteves
Mayor

cc: City Council
Thomas J. Wilson, City Manager
Blair King, Assistant City Manager
Emma Karlen, Director of Finance

September 19, 2003

Honorable Thomas P. Hansen
Presiding Judge
Santa Clara County Superior Court
191 North First Street
San Jose, California 95113

Re: Final Report: Listing of Special District, Joint Powers Agencies, Designated Non-Profit Corporations and other Government Entities

Dear Honorable Thomas P. Hansen:

City of Milpitas' Consolidated Response:

Pursuant to California Penal Code 933.05 the City of Milpitas herein timely provides its Consolidated Response to the 2002-2003 Santa Clara County Civil Grand Jury Final Report as titled above:

Finding I

The City of Milpitas has no independent information upon which to form a belief or opinion regarding the finding and, therefore, agrees with the finding.

Recommendations I-1 and 2

The recommendations relate to actions by the Santa Clara County Counsel. The City of Milpitas has no authority or ability to influence or direct action by the Santa Clara County Counsel and, therefore, will not implement the recommendations.

Finding II

The finding relates to the City of San Jose and with the Grand Jury's "efforts . . . with most other entities." The City of Milpitas has no independent information upon which to form a belief or opinion regarding the finding and, therefore, agrees with the finding.

Recommendation II

The City of Milpitas will prepare, periodically update and permanently maintain available to the public through the City Clerk's Office a listing of all joint powers agencies to which it belongs.

Finding III

The City of Milpitas has no independent information upon which to form a belief or opinion regarding the finding and, therefore, agrees with the finding.

Recommendations III-1 through 4

The City of Milpitas will prepare, periodically update and permanently maintain available to the public through the City Clerk's Office a listing of its: Maintenance and Operations Agreements with non-profit organizations; Co-sponsorship Agreements with profit and non-profit organizations; Contributing Agreements with profit and non-profit organizations; and Leases with profit and non-profit organizations.

Very truly yours,

Jose Esteves
Mayor

cc: City Council
Blair King, Assistant City Manager
Emma Karlen, Director of Finance



June 25, 2003

Honorable Jose Esteves
Mayor
and Members of the City Council
City of Milpitas
455 East Calaveras Boulevard
Milpitas, CA 95035

Dear Mayor Esteves and Members of the City Council:

The 2002-2003 Santa Clara County Civil Grand Jury is transmitting to you its Final Report, **Listing Of Special Districts, Joint Powers Agencies, Designated Non-Profit Corporations and Other Governmental Entities**.

California Penal Code Section 933(c) requires that a governing body of the particular public agency or department which has been the subject of a Grand Jury final report shall respond within 90 days to the Presiding Judge of the Superior Court on the findings and recommendations pertaining to matters under the control of the governing body. California Penal Code Section 933.05 contains guidelines for responses to Grand Jury findings and recommendations and is attached to this letter.

PLEASE NOTE:

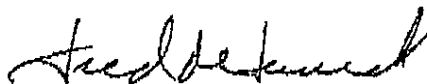
1. As stated in Penal Code 933.05, you are required to "Agree" or "Disagree" with each **FINDING**. *If you disagree, in whole or part, you must include an explanation of the reasons you disagree.*
2. As stated in Penal Code 933.05, you are required to respond to each recommendation *with one of four possible actions.*

Your comments are due in the office of the Honorable Thomas P. Hansen, Presiding Judge, Santa Clara County Superior Court, 191 North First Street, San Jose, CA 95113, no later than September 25, 2003.

Page Two

Copies of all responses shall be placed on file with the Clerk of the Court.

Sincerely,



FRED de FUNIAK
Foreperson
2002-2003 Civil Grand Jury

FdF:dsa
Enc.

(ENDORSED)
FILED

JUN 25 03

2002-2003 SANTA CLARA COUNTY CIVIL GRAND JURY
LISTING OF SPECIAL DISTRICTS, JOINT POWERS
AGENCIES, DESIGNATED NON-PROFIT CORPORATIONS
AND OTHER GOVERNMENTAL ENTITIES

CLERK
 CHIEF EXECUTIVE OFFICER/CLERK
 SUPERIOR COURT OF CA
 COUNTY OF SANTA CLARA
 DEPUTY

Summary

The 2002-2003 Santa Clara County Civil Grand Jury (Grand Jury) elected to undertake an extensive effort to solicit information from the various governmental agencies within the county, in order to generate an in-depth and comprehensive listing of those entities covered under the Grand Jury's oversight responsibilities. The Grand Jury was largely successful.

The Grand Jury was able to readily identify cities and school districts from several documents. In addition, special districts and redevelopment or housing agencies are topics of the State Controller's Office publications, although these publications are somewhat dated. However, joint powers agencies and designated non-profit organizations have no specific documents that can be referenced, and the responses for both types of entities required extensive follow-up. Even at this point, there is little confidence that the listing is complete in these areas. (see Appendix G for definition of terms).

Background

Under the California Penal Code (Penal Code or PC), all civil grand juries are charged with specific oversight responsibilities. These include:

- PC Section 925 County operations, accounts and records
- PC Section 925a City and joint powers agencies
- PC Section 933.1 Redevelopment, housing and joint powers agencies
- PC Section 933.5 Special districts or commissions
- PC Section 933.6 Non-profit corporations established by or operated on behalf of public entities

The Grand Jury determined that in order to establish the scope of its jurisdiction, a comprehensive listing of all these entities in Santa Clara County was necessary.

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responsibilities regarding organizations that were established principally to engage in Maintenance and Operations Agreements with a government entity or to provide a specific service to the community.

Recommendation I-1

The Grand Jury recommends that the Santa Clara County Counsel prepare a definition of a non-profit organization as it pertains to PC 933.6 that can be used as a guideline by future Grand Juries.

Recommendation I-2

The Grand Jury recommends that the Santa Clara County Counsel prepare guidelines for the use of future Grand Juries on oversight responsibilities of programs sponsored, co-sponsored or partially funded by public monies.

Finding II

The City of San Jose did not make available for the Grand Jury a list of the joint powers agencies of which it is a member. In addition, persistent follow-up efforts were required with most other entities to obtain the current listing found in Appendix C. In all cases, the information requested by the Grand Jury had to be prepared by the entity after receipt of the request.

Recommendation II

The Grand Jury recommends that the County of Santa Clara, the County Board of Education, all cities and towns in Santa Clara County, and all school districts of the county prepare, maintain and make available to the public, a narrative listing of all joint powers agencies to which they belong, including liability minimizing agencies. It is recommended that the list be published on an annual basis.

Finding III

Information on non-profit organizations associated with specific entities, or entities providing community services, was not readily available. It was prepared only in response to the Grand Jury's request for information. There is no opportunity for either public administrators or the general citizenry to evaluate information about these entities. For example, the San Jose City Auditor's Report Number 02-12 identifies three non-profit organizations, assigned and using

government facilities, that have not had an agreement or lease for several years. These solicitations were additionally complicated by the lack of a definition of non-profit as covered under PC 933.6. If this information is not available to the Grand Jury, it is not available to the general public.

Recommendation III-1

The Grand Jury recommends that the County of Santa Clara, the County Board of Education, all cities and towns in Santa Clara County, and all school districts of the county prepare, maintain, and make available to the public, a narrative listing of all Maintenance and Operations Agreements (see Appendix G), with one or more non-profit organizations, as defined in Federal Internal Revenue Service laws. It is recommended that the list be published on an annual basis.

Recommendation III-2

The Grand Jury recommends that the County of Santa Clara, the County Board of Education, all cities and towns in Santa Clara County, and all school districts of the county prepare, maintain, and make available to the public, a narrative listing of all co-sponsorship agreements, (see Appendix G), with one or more for-profit organizations or non-profit organization, as defined in Federal Internal Revenue Service laws. It is recommended that the list be published on an annual basis.


Recommendation III-3

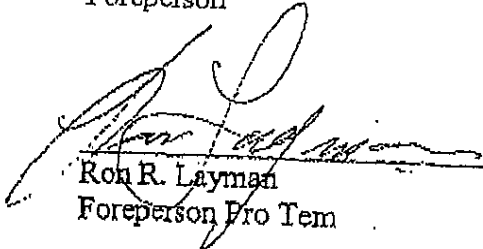
The Grand Jury recommends that the County of Santa Clara, the County Board of Education, all cities and towns in Santa Clara County, and all school districts of the county prepare, maintain, and make available to the public a narrative listing of all contributory agreements, (see Appendix G), with one or more for-profit organizations or non-profit organizations as defined in Federal Internal Revenue Service laws, and are not specifically identified in the annual budget and fiscal report. It is recommended that the list be published on an annual basis.

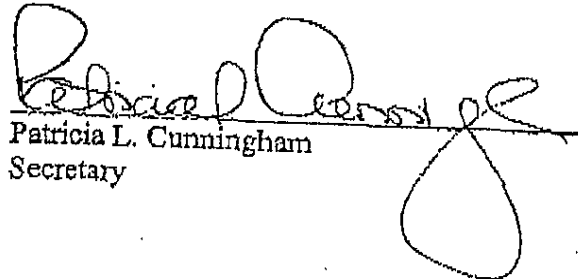
Recommendation III-4

The Grand Jury recommends that the County of Santa Clara, the County Board of Education, all cities and towns in Santa Clara County, and all school districts of the county prepare, maintain, and make available to the public a narrative listing of all non-profit or for-profit organizations that are provided monthly leases, at no cost or token cost, for space in government facilities, or where space is provided as a part of a working relationship. It is recommended that the list be published on an annual basis.

PASSED and ADOPTED by the Santa Clara County Civil Grand Jury on this 10th day of June, 2003.


Fred de Funiak
Foreperson


Ron R. Layman
Foreperson Pro Tem


Patricia L. Cunningham
Secretary

Bibliography

Reference was made to the following reports published by the State of California, authored by the Office of the State Controller:

- Community Redevelopment Agencies Annual Report, 2000-2001.
- Public Retirement Systems Annual Report, 1998-1999.
- School Districts Annual Report, 1998-1999.
- Special Districts Annual Report, 1998-1999.
- Transportation Planning Agencies Annual Report, 1998-1999.

California Penal Code §933.05, in relevant part:

933.05. (a) For purposes of subdivision (b) of Section 933, as to each grand jury finding, the responding person or entity shall indicate one of the following:

- (1) The respondent agrees with the finding.
- (2) The respondent disagrees wholly or partially with the finding, in which case the response shall specify the portion of the finding that is disputed and shall include an explanation of the reasons therefor.

(b) For purposes of subdivision (b) of Section 933, as to each grand jury recommendation, the responding person or entity shall report one of the following actions:

- (1) The recommendation has been implemented, with a summary regarding the implemented action.
- (2) The recommendation has not yet been implemented, but will be implemented in the future, with a timeframe for implementation.
- (3) The recommendation requires further analysis, with an explanation and the scope and parameters of an analysis or study, and a timeframe for the matter to be prepared for discussion by the officer or head of the agency or department being investigated or reviewed, including the governing body of the public agency when applicable. This timeframe shall not exceed six months from the date of publication of the grand jury report.
- (4) The recommendation will not be implemented because it is not warranted or is not reasonable, with an explanation therefor



June 24, 2003

Honorable Jose Esteves
Mayor
and Members of the City Council
City of Milpitas
455 East Calaveras Boulevard
Milpitas, CA 95035

Dear Mayor Esteves and Members of the City Council:

The 2002-2003 Santa Clara County Civil Grand Jury is transmitting to you its
Final Report, Review of Audits and Financial Reports.

California Penal Code Section 933(c) requires that a governing body of the particular public agency or department which has been the subject of a Grand Jury final report shall respond within 90 days to the Presiding Judge of the Superior Court on the findings and recommendations pertaining to matters under the control of the governing body. California Penal Code Section 933.05 contains guidelines for responses to Grand Jury findings and recommendations and is attached to this letter.

PLEASE NOTE:

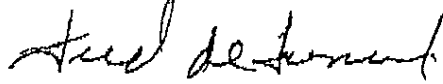
1. As stated in Penal Code 933.05, you are required to "Agree" or "Disagree" with each FINDING. *If you disagree, in whole or part, you must include an explanation of the reasons you disagree.*
2. As stated in Penal Code 933.05, you are required to respond to each recommendation *with one of four possible actions.*

Your comments are due in the office of the Honorable Thomas P. Hansen, Presiding Judge, Santa Clara County Superior Court, 191 North First Street, San Jose, CA 95113, no later than September 24, 2003.

Page Two

Copies of all responses shall be placed on file with the Clerk of the Court.

Sincerely,



FRED de FUNIAK
Foreperson
2002-2003 Civil Grand Jury

FdF:dsa
Enc.

(ENDORSED)
FILED

2002-2003 SANTA CLARA COUNTY CIVIL GRAND JURY JUN 24 03

REVIEW OF AUDITS AND FINANCIAL REPORTS

Summary

The 2002-2003 Santa Clara County Civil Grand Jury (Grand Jury) examined documents received from government entities throughout the county. Among these were:

- financial reports
- audited financial statements
- budgets
- audit reports

It conducted a review of the activities of all city internal auditors. As a result of its reviews, the Grand Jury has several findings and recommendations.

Background

The Grand Jury reviews the financial reports and statements to determine whether or not they have been issued. An assessment is made of their timeliness and completeness.

A. Terms Defined

Specialized terms are used in this report, and in the interest of clarity, the following simplified definitions are offered:

- Comprehensive Annual Financial Report (CAFR): A legally mandated annual financial report defined by the Government Accounting Standards Board that includes all the income, expenses, special funds, or designated funds that are part of a government entity's financial activities.
- Government Accounting Standards Board (GASB): The national accountancy board that establishes the standards to be used in all governmental accounting.
- Special Districts: These are special districts that have taxing authority. The district is governed by a board of directors, which may be a city or town council. A special district may be a part of a city or cut across city lines. Some enterprise funds (funds that charge a fee for

facilities or services) are special districts. For example, the Loma Prieta Resource Conservation District is a special district. The California State Controllers Office lists 32 functions for special districts.

- Joint Powers Agencies (JPA): These agencies cross geopolitical boundaries to address a common responsibility. They are governed by representatives from the government entities sharing their authority. Several cities getting together to jointly provide a wastewater treatment system or expanded library facilities are examples of a JPA. School districts getting together to jointly provide student transportation services is also a JPA.
- Management Reports and Process Audits: In addition to financial reports, the Grand Jury reviewed the results of management reports and process audits. Management reports are overviews with general recommendations. Process audits involve the testing of a system with specific recommendations. For example, a management report states that the system for reviewing timecards allows unsigned timecards to be entered into the payroll records. A process audit indicates that 12% of the timecards are not signed by the employee, and that 20% are not signed by the supervisor. A recommendation on a process audit is specific, such as; *change the policy to return all unsigned timecards to the supervisor's manager for action.*

B. Comprehensive Annual Financial Reports

As part of its watchdog responsibilities, the Grand Jury annually receives copies of the legally mandated CAFRs for the county, the cities and towns within Santa Clara County, and a limited number of JPAs and special districts.

This fiscal year was the first year that government agencies with revenues in excess of \$100 million were to comply with the requirements of Statement 34 of the GASB. As noted, GASB is a national standards board that defines the accounting practices and reporting standards of government agencies in California. Statement 34, issued in June 1999, requires government entities to provide budget, budget performance and comparison information, a management discussion and analysis section, and the current value of capital assets in their CAFRs. The Grand Jury examined CAFRs and their compliance with Statement 34. Statement 34 information adds to the usefulness of the reports, but does require additional review time.

The Grand Jury received 14 CAFRs. Eight entities had revenues in excess of \$100 million and thus were required to meet the GASB Statement 34 requirements in their latest annual reports. The eight were Santa Clara County, the Santa Clara Valley Water District, the Santa Clara Valley Transportation

Authority, and the cities of Mountain View, Palo Alto, San Jose, Santa Clara, and Sunnyvale. Several entities indicated within their CAFRs that they were still working to finalize such items as the current value of capital assets.

Based on the size of their revenue, Gilroy and Monte Sereno are not required at this time to provide CAFRs. Therefore, they submitted audited financial statements. Two entities, Los Altos and Los Altos Hills, did not have their final reports available. (See Table 1 below)

TABLE 1

Comprehensive Annual Financial Reports Received

<u>ENTITY</u>	<u>REPORT</u>
Campbell	CAFR
Cupertino	CAFR
Gilroy	Statement
Los Altos	Not available
Los Altos Hills	Not available
Los Gatos	CAFR
Milpitas	CAFR
Monte Sereno	Statement
Morgan Hill	CAFR
Mountain View	CAFR
Palo Alto	CAFR
San Jose	CAFR
Santa Clara	CAFR
Saratoga	CAFR
Sunnyvale	CAFR
Santa Clara County	CAFR

Santa Clara County Water District CAFR

Santa Clara Valley Transportation
Authority CAFR

C. Budgets

As already noted, under the guidelines of GASB Statement 34, reporting government entities must provide budget and budget performance information in their CAFRs. Based on the phasing requirements of Statement 34, entities with revenues in excess of \$100 million are required to include this information in the 2001-2002 report. This year, the Grand Jury requested budget information along with the other reports. The Grand Jury used these publications for reference in the course of its oversight function. Budgets were received from:

- Campbell
- Mountain View
- San Jose
- Santa Clara
- County of Santa Clara (Preliminary only)

This year, budgets were not required of the other cities in the county as their prior year revenue did not exceed \$100 million.

D. Audits

The Grand Jury did not routinely request audit information from school districts or JPAs, with the exception of the Santa Clara Valley Transportation Authority. A limited number of special district reports were requested. Appendix A is a list of audit reports received and reviewed by the Grand Jury.

Each audit report was reviewed to determine if any additional action or follow up by the Grand Jury would be beneficial. Eighteen reports required follow up (see Follow-up column in Appendix A). Follow up actions included Grand Jury requests for additional information, responses, implementation schedules, or referral to future Grand Juries for further inquiry.

E. Internal and Independent Auditors

The Grand Jury surveyed the county's cities and towns to determine what level of internal or independent audits were routine to each city. For the first time, the Grand Jury requested that all cities and towns provide their process audits and

management reports. The Grand Jury received and evaluated sixty-eight audits of all types (see Appendix A).

There is an internal auditor for the County of Santa Clara. The internal auditor for the County of Santa Clara is used to audit state and federal grants, as is required by those grants.

Of the 15 cities and towns within Santa Clara County, only Palo Alto, San Jose and Sunnyvale have internal auditors. San Jose and Palo Alto auditors report directly to their city councils in open meetings. Sunnyvale's internal auditor is under the oversight of the city manager.

When the internal auditor reports directly to the city council in open meetings, the public is fully aware of the actions of the auditor, including the reasons for a recommendation to expand or terminate an audit. All reports and recommendations made, along with the staff responses, become part of the public record. There is no requirement for meetings between the city manager and his staff to be public.

In addition, the City of Santa Clara has established the function of city auditor and assigned it to the city clerk's office. This function is limited to independently verifying support data for disbursements, but does not provide any process audit.

All entities which were checked used independent auditors for their annual reports. Entities without internal auditors used independent auditors or oversight agencies for audits of specific funds or functions. The Grand Jury found the smaller entities had determined the hiring of a full-time internal auditor was not fiscally feasible and relied on contracted independent auditors for selected process audits.

F. Conclusions

The process audit information gathered gives the Grand Jury confidence that reasonable efforts are being made to provide the citizens of the county with efficient and responsive services. There are indications that stronger support for the implementation of audit recommendations by the appropriate governing boards would lead to even greater improvement in services and programs. Examples from the cities of Palo Alto and San Jose audit recommendation status reports follow:

- Palo Alto report of September 2002 lists 53 recommendations, 29 of which were holdovers from the November 2001 report. Four recommendations (7.6%) have been implemented, of which two are from 1997 and two from 1999. The balance, 49 (90.7%), are "in process," with eight from April 1998.

- The San Jose report of the 6 months ending December 31, 2002 shows 94 recommendations not yet implemented. The earliest of these is from 1988. Of these 94 recommendations, 22 (23.4%) have been implemented, 57 (60.6%) are only partially implemented and 13 (13.8%) have not been implemented. One was rejected and one, from 1995, continues to be deferred.

Finding I

The internal auditor for the City of Sunnyvale reports to the city manager. Two management/performance audits were terminated in the early stages because of the need for major restructuring of the departments under audit. These were the audits of the Transportation Operations Department and the Roadside and Median Right-of-Way Services Department. Since the audits were terminated without the public receiving the information that would have been available with a direct report to the city council by an independent internal auditor, the public has limited ability to evaluate the operations of the departments and the effectiveness of the restructuring. Not reporting to the city council in open forum provides an opportunity for public perception of a cover up, which negates the value of internal auditors as independent evaluators.

Recommendation I

The Grand Jury recommends that the City of Sunnyvale have the internal auditor report directly to the City Council.

Finding II

The City of Santa Clara has designated a city auditor function and assigned it to the city clerk, who is independently elected. Current auditing activities are limited to verification of expenditures and associated documentation.

Recommendation II

The Grand Jury recommends that the City of Santa Clara expand the responsibilities of the city auditor function to include internal audit responsibilities and separate this function from the office of the city clerk.

Finding III

Seven cities/towns did not provide the Grand Jury with management reports or process audits. They are:

- Campbell
- Gilroy
- Los Altos
- Los Altos Hills
- Los Gatos
- Monte Sereno
- Santa Clara

Milpitas submitted a single audit on internal financial controls.

The failure of the smaller cities/towns to perform regular management reports or process audits is understandable. However, for our more moderate-sized or larger cities, such as Campbell, Gilroy, Milpitas and Santa Clara, to ignore these tools of good management is to overlook potential improvements in providing high quality, efficient services to their citizens.

Recommendation III-1

The Grand Jury recommends that all cities or towns that do not currently include the Grand Jury on their routine distribution list for financial reports, CAFRs, budget, and audit reports add the Grand Jury to their list.

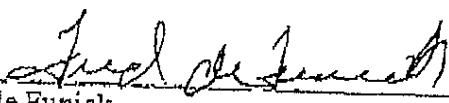
Recommendation III-2

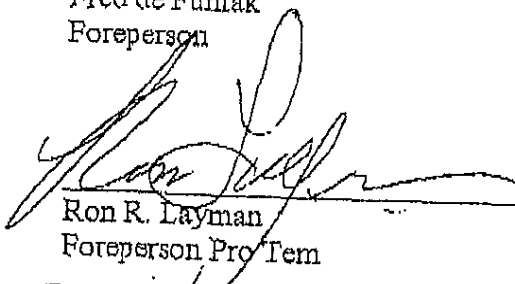
The Grand Jury recommends that the cities of Campbell, Gilroy, Milpitas and Santa Clara implement a program of process audits and process adherence, providing copies of the audits and staff responses to the Grand Jury.

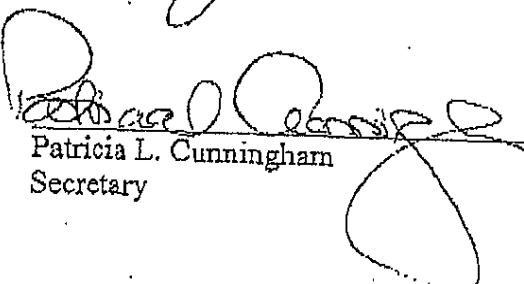
Recommendation III-3

The Grand Jury recommends that Los Altos, Los Altos Hills, Los Gatos, and Monte Sereno develop plans for the review of procedures and compliance, providing the information, results and recommendations to the Grand Jury.

PASSED and ADOPTED by the Santa Clara County Civil Grand Jury on this 29th day of May, 2003.


Fred de Funiak
Foreperson


Ron R. Layman
Foreperson Pro Tem


Patricia L. Cunningham
Secretary

APPENDIX A
FY 2002-2003 AUDITS, FINANCIAL REPORTS AND LETTERS RECEIVED

ENTITY OR FUND	DEPT	TYPE	Recmd	Follow Up
County				
Controller Audit	Controller	IA		Y
Professional Group, Valley Health Svcs	SCVHHS	IA	6	
Data Center Operations	SCVHHS	IA	7	
Employee Benefits	HR	Mgmt	9	Y
Grants				
Juvenile Crime Enforcement	Probation	IA	5	Y
Auto Insurance Fraud	DA	IA		
Organized Auto Fraud Interdiction Prog.	DA	IA		
Workers Comp. Fraud	DA	IA		
Funds				
SOC Law Library		IA		
Child Development Program	Soc Svcs	IA		
School Districts				
Gavilan Joint Community College District		Fiscal	5	
Joint Powers Agencies				
Santa Clara Valley Water District		CAFR		
Special Districts				
Loma Prieta Resource Conserv. Dist.		Fiscal		N
Saratoga Public Financing Authority		Fiscal		
Burbank Sanitary District		CAFR		
Saratoga Cemetery District		Fiscal		
CITY OF CUPERTINO				
Single Grant Audit	Finance	IA		
Cupertino RDA	RDA	IA		
CAFR Mgmt Letter	Finance	IA		
CITY OF MILPITAS				
Internal Control Structure	Finance	Fiscal	1	
CITY OF MORGAN HILL				
Morgan Hill RDA Housing Fund Requirements	RDA	Mgmt	3	
Morgan Hill Police Property & Evidence Op's	Police	Mgmt		Y
Board of Corrections Insp. of MH Holding Fac.	Police	Mgmt	3	
Development Process Services	Comm Dev't	Mgmt	39	Y
Health Inspection of Morgan Hill Holding Facility	Police	Mgmt	3	
Risk Management Audit	Finance	Mgmt	26	Y
CAFR Management Report	Finance	Fiscal	3	Y
CITY OF MOUNTAIN VIEW				
Foothill Disposal Co. Compliance Audit	City	Mgmt		
Cash Handling Procedures 1999	Various	Study	16	
Cash Handling Procedures 2002	Various	Mgmt	15	
Library Organization Review	Library Svcs	Mgmt	58	

APPENDIX A
FY 2002-2003 AUDITS, FINANCIAL REPORTS AND LETTERS RECEIVED

ENTITY OR FUND	DEPT	TYPE	Recmd	Follow Up
CITY OF PALO ALTO				
Utility Risk Mgmt Procedures	Utilities Op's	Mgmt	24	Y
Contract Processing Times		Study		
Internal Control Structure	Finance	Mgmt	7	Y
Compliance with Prop 111	Finance	Mgmt		
Public Improve Corp. FY2001 & 2002	Finance	Fiscal		
Regional Water Quality Control Plant FY 2001	Finance	Fiscal		
Cable Coop Franchise Year End 2000 & 2001	Finance	Fiscal		
Bicycle/Ped FY2000 & 2001	Finance	Fiscal		
Payroll Procedures & Practices	Finance	Fiscal	10	Y
CITY OF SAN JOSE				
Cash Handling/Refund				
Customer Service Call Center	Building	Mgmt	6	Y
Petty Cash & Change Funds	Admin	Mgmt	2	
Property Mgmt Operations	City Hall	Mgmt		
Rental Dispute Program	Public Works	Mgmt	12	Y
San Jose Arena Mgmt	Neigh Svcs	Mgmt	6	
San Jose Office of Equality Assurance		Mgmt	8	
Hayes Renaissance Center Compliance with Agreement	OEA	Mgmt	10	
		Mgmt	3	Y
Survey of Real Property Inventory		Mgmt		Y
Neighborhood Clean-Up Program		Mgmt		
Project Technology Education (Tech Q III)	Planning	Mgmt	7	
Vehicle Replacement Program	Gen Svcs	Mgmt	15	
CITY OF SARATOGA				
CAFR Mgmt Report	Finance	Fiscal		
CITY OF SUNNYVALE *				
Review Program 763 Status				
Sun/GIS One Stop Permitting	PW, Fleet Svcs	Review		
Cable TV			30	
Housing Division Operations	TCI Cable		14	
Federal Equitable Sharing Program 2001, 2002	Housing	Mgmt	9	Y
Mini Program Performance	Housing	Fiscal		
Standby Processes	Public Works	Review	4	
Library Collection Program 636	PW, Bldg, IS	Mgmt	9	Y
Library Services Program 637	Library	Mgmt	8	
Library Learning Program 638	Library	Mgmt	3	
Cash Receipts Process	Library	Mgmt	9	
Purchasing Card Review				Y
OTHER AGENCY AUDITS				
Juvenile Confinement Facilities		Inspection		
*The City of Sunnyvale had two audits that were not completed: Transportation Operations Audit was halted pending reorganization, and Accounts Payable was never completed.				

Appendix Key

Column headings:

Entity or Fund	Name of audit report
Dept	Department included in the audit
Type	Type of report
	IA Internal Audit
	Fiscal Financial Audit only
	Mgmt Management or process audit
	CAFR Comprehensive Annual Financial Report
	Study Study with recommendations
	Review Review of status of recommendations
	Inspect. Inspection report
Recmd	Number of Recommendations in Audit Report
Follow-up	Follow-up actions by Grand Jury

California Penal Code §933.05, in relevant part:

933.05. (a) For purposes of subdivision (b) of Section 933, as to each grand jury finding, the responding person or entity shall indicate one of the following:

- (1) The respondent agrees with the finding.
- (2) The respondent disagrees wholly or partially with the finding, in which case the response shall specify the portion of the finding that is disputed and shall include an explanation of the reasons therefor.

(b) For purposes of subdivision (b) of Section 933, as to each grand jury recommendation, the responding person or entity shall report one of the following actions:

- (1) The recommendation has been implemented, with a summary regarding the implemented action.
- (2) The recommendation has not yet been implemented, but will be implemented in the future, with a timeframe for implementation.
- (3) The recommendation requires further analysis, with an explanation and the scope and parameters of an analysis or study, and a timeframe for the matter to be prepared for discussion by the officer or head of the agency or department being investigated or reviewed, including the governing body of the public agency when applicable. This timeframe shall not exceed six months from the date of publication of the grand jury report.
- (4) The recommendation will not be implemented because it is not warranted or is not reasonable, with an explanation therefor